

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6276**

**BILL NUMBER:** HB 1634

**NOTE PREPARED:** Nov 14, 2004

**BILL AMENDED:**

**SUBJECT:** 1977 Police and Firefighter Fund Survivor Benefit.

**FIRST AUTHOR:** Rep. Adams T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the monthly benefit for the surviving spouse of a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund from 60% to 75% of the member's monthly benefit if the member died: (1) other than in the line of duty after August 31, 1982; or (2) in the line of duty before September 1, 1982.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The table below shows the estimated fiscal impact of this proposal.

Increase in Unfunded Accrued Actuarial Liability:	\$59.5 M
Increase in Employer Contribution Rate:	From 21% to 22.6%
Increase in Annual Benefits:	\$1.6 M

Based on the January 1, 2003, actuarial valuation, there are 437 beneficiaries of deceased members receiving benefits.

The funds affected are the police and fire pension funds. The principal sources of revenue to local units for

contributions into these funds may include property taxes, cigarette taxes, the Financial Institutions Tax, county option income taxes, the Commercial Vehicle Excise Tax, auto and aircraft excise taxes, and the Wagering Tax, as well as others.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund (PERF) as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Those units with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for PERF and the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 317-576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS:**

**Actuarial Valuation:** An examination of a pension plan to determine whether contributions are being accumulated at a rate sufficient to provide funds out of which the promised pensions can be paid when due. The valuation shows the actuarial liabilities of the plan and the applicable assets.

**Contribution Rate:** As to an employee, a factor, such as a percentage of compensation, used in determining the amounts of payments to be made by the employee under a contributory pension plan. As to the employer, a factor, calculated in an actuarial valuation, to be used in determining the employer's annual normal cost contribution under a pension plan. An employer's contribution rate may be either a percentage to be applied to the total compensation paid to covered employees for a particular year, or an amount in dollars to be applied to the total number of covered employees at a particular date.

**Unfunded Actuarial Liability** (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.